State of Vermont
Agency of Human Services
280 State Drive, Center Building
Waterbury, VT 05671-1000

Global Commitment Register

June 8, 2017

GCR 16-072
FINAL

Pharmacy Reimbursement

Policy Summary:

AHS is filing Vermont Medicaid SPA #17-0005 to adopt fee-for-service pharmacy payment policies designed to pay pharmacies for the actual acquisition cost (AAC) of drugs plus a reasonable professional dispensing fee, based on the actual cost to the pharmacy of dispensing drugs to Medicaid members. Please note that at the close of public comment for this amendment, the State modified its Average Wholesale Price (AWP) reimbursement from AWP – 17% to AWP – 19% to reflect a more accurate, nationally-recognized price for drugs paid in this way.

The Department of Vermont Health Access (DVHA) conducted a dispensing fee survey of Medicaid-enrolled pharmacies to analyze the cost of dispensing prescription medications to Vermont Medicaid members. Based on this survey, the new Medicaid professional dispensing fee for retail community pharmacies; institutional or long-term care pharmacies; and non-FQHC 340B pharmacies will be $11.13. FQHC pharmacies will remain at a dispensing fee of $15. The professional dispensing fee for specialty pharmacies when dispensing specialty drugs will be $17.03.

DVHA also performed extensive analysis to determine the ingredient cost benchmarks needed to more accurately reflect actual pharmacy acquisition cost for ingredient-cost reimbursement. DVHA's "lower-of" pricing methodology will now include the benchmark of National Average Drug Acquisition Cost (NADAC). Payment of covered outpatient drugs, including over-the-counter drugs, dispensed by an enrolled pharmacy, will include the reimbursement for NADAC (which represents the Actual Acquisition Cost of the drug) plus a professional dispensing fee (PDF).

AAC is defined as the lower of:

a. The National Drug Average Acquisition Cost (NADAC) + PDF;
b. The Wholesale Acquisition Cost (WAC) + 0% + PDF;
c. The State Maximum Allowable Cost (SMAC) + PDF;
d. The Federal Upper Limit (FUL) + PDF;
e. AWP - 19% + PDF;
f. Submitted Ingredient Cost + submitted dispensing fee;
g. The provider's Usual and Customary (U&C) charges; or

h. The Gross Amount Due (GAD)

On average, brand drug reimbursement will decrease, while generic drug reimbursement will rise, creating an overall one-half of one percent (0.5%) reduction in reimbursement to all pharmacies.

Effective Date:
April 1, 2017

Authority/Legal Basis:
CMS Covered Outpatient Drug final rule, issued January 21, 2016 (81 FR 5170).
42 CFR 430.12(c)(1)(ii) under the Medicaid State Plan.

Population Affected:
All Medicaid

Fiscal Impact:

	Current State Fiscal Year	Next State Fiscal Year
State	($113,719)	($455,625)
Federal	($135,993)	($543,225)
Total	($249,713)	($998,850)

Public Comment Period:
The public comment period was March 21, 2017 through April 24, 2017. A document containing comments, responses, and additional information is available here.

Additional Information:

The draft SPA provides additional details on the proposed changes; copies of the draft SPA can be requested from DVHA at (802) 355-8843, or can be found on the DVHA website: http://dvha.vermont.gov/global-commitment-to-health/global-commitment-register-proposed-policy-changes.

March 13, 2017 letter sent to pharmacies.

Survey of the Average Cost of Dispensing a Medicaid Prescription in the State of Vermont.

CMS Covered Outpatient Drug Fact Sheet.